

Introduction to sponsorship

Arts & Business defines sponsorship as: the payment of money by a business to an arts organisation for the purpose of promoting the business name, products or services.

Sponsorship is part of a business's general promotional expenditure. It can include an element of community involvement or social responsibility.

The definition stresses the business purpose in sponsorship. It is a commercial relationship and must be a business expense to be tax deductible. The tax rules extend to VAT as well, and as most arts and cultural organisations are charities and/or non-profit distributing companies and liable to VAT, VAT is chargeable on all commercial benefits of the sponsorship package.

Other Terms:

Sponsorship in kind is the provision of discounted or free goods or services. If such items are made available at less than cost, the difference should be treated as a sponsorship payment (provided the business receives appropriate benefits) and the tax implications are as for sponsorship.

Donation is money (or goods or services) from an individual or business for which no commercial return is sought. There is no VAT charged.

Patronage, like donation, is money from an individual or business for which no commercial return is sought. It is tax-free and can be done by Gift Aid or Deed of Covenant.

Corporate membership is a scheme whereby a business pays an annual sum to an arts organisation in return for various services over

the course of a year. It is not considered sponsorship and may be regarded by the Inland Revenue as entertainment and therefore disallowed for tax purposes.

Development is a general term for the act of attracting revenue through fundraising and sponsorship.

Support is a generic term that can be used to cover any positive relationship between a business and an arts organisation

Subsidy is money from bodies with a duty to support the arts financially. For example, the Regional Arts Councils, the Museums and Galleries Commission, the British Film Institute.

Earned income is money an arts organisation earns through ticket sales, programmes, sales of work etc. It includes retailing, merchandising, proceeds from room hire and corporate memberships.

Why businesses sponsor

Businesses sponsor the arts for many different reasons and often for a number of them; these include, but are not limited to:

- Marketing/advertising opportunities
- Access to target audience/market
- Association with excellence
- Name awareness
- Image enhancement
- Entertaining
- Developing community links
- Staff/employee relations
- Product sampling
- Public relations opportunities

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Introduction to sponsorship

When thinking about sponsorship you need to think about how your event can help them fulfil these objectives.

Seeking sponsorship

Obtaining sponsorship from a business involves a strategic plan together with a professional approach. To sell yourself to a business you must consider how much time, effort and resources you are prepared to allocate. In considering timescale, remember many businesses plan their budgets a year or more in advance, so your planning needs to begin well ahead of that.

The basic steps for planning and executing a sponsorship programme are:

1. Assessing your organisation and identifying your requirements and resources
2. Developing a sponsorship package (or packages) with appropriate benefits
3. Researching companies
4. Making an approach
5. Determine whom to contact
6. Developing a partnership or relationship

1. Assessing your organisation

In assessing your organisation you need to decide:

- What do you require (eg long or short term, cash or in-kind)?
- Do you have the resources (time and appropriately skilled staff)?
- Are there any limits on whom you should approach (eg moral or ethical)?
- How much are you prepared to offer?

2. Developing a sponsorship package

To put together a package you need to define:

- Your identity
- Your audience
- Project or projects for which you are seeking sponsorship (eg season of work, education programme, exhibition)
- The business benefits (eg logo on posters etc, free tickets, display space, hospitality)
- The price – remember to include any costs you incur providing the benefits.

3. Researching companies

The more a sponsorship proposal is tailored to an individual business's needs, the more effective your approach will appear. Brainstorm as many names as possible from existing contacts such as previous sponsors, corporate members, staff contacts, board contacts and suppliers. Identify potential contacts through local businesses, local and national press, yellow pages, business press, sponsors of other activities and reference libraries.

Build up individual profiles about each and find out as much as you can about the organisation (eg obtain annual report, collect newspaper cuttings).

After researching each company you can then select five to ten to approach by asking yourself:

- What is the image of this business?
- Who appear to be the business's target customers?
- Is the business familiar with arts sponsorship?
- When does their financial year start? What is the present level of marketing/PR?
- What is their trading performance?
- Is the nature of their business controversial in any way?

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- Do you have any personal contacts in the business?

These questions will help you decide which businesses to contact and also the benefits you should be offering and the style of approach. Underpinning all of this, you must be able to answer the question “Why can this sponsorship be right for this business?” If you don’t know the answer to this you can hardly expect the business to know either.

4. Making an approach

In your dealings with businesses you should appear confident, professional, and businesslike. In presenting information to a sponsor don’t overwhelm them with irrelevant information. Be realistic and be careful not to promise things you cannot deliver such as guaranteed media coverage. Aim to give them enough data so that they can evaluate the cost effectiveness of a project alongside their other promotional opportunities.

Keep the proposal to two pages and follow these headings

- Who you are and what you do
- Your supporters and other funders
- The project
- Your audience
- Publicity
- Sponsorship benefits
- Hospitality opportunities
- The price (+ VAT)
- Matchfunding schemes such as The Sponsors Club Award Scheme

With the proposal include a covering letter, which should be concise, and needs to say why your proposal is right for the business you are approaching. You can also include a previous piece of print or your promotional brochure.

5. Determine whom to contact

Discover the name and position of the individual within the business with whom you need to deal. Speak to the contact to determine that you are speaking to the right person and let them know that you will be sending in a proposal. At this stage you are not trying to sell the sponsorship. Keep the conversation simple and to the point.

Write to the contact personally with your proposal and covering letter. Never simply send a photocopied circular addressed “Dear Sir/Madam”.

Follow-up telephone call: wait a few days and telephone to check that your proposal has arrived. Answer any questions and get a date for a meeting to discuss the proposal in full.

After the meeting always write and say thank you for their time and interest.

6. Developing a lasting relationship

Your approach will yield either a positive or negative result. If you are turned down, do try to find out why your proposal was not successful so that the next time you approach that company you can tailor your proposal even further. Maintain contact with the company and cultivate them by inviting them to an exhibition or performance.

If your approach has been successful make sure you confirm details in writing or draw up a letter of agreement. Keep in touch with the sponsor. Communication is key to success and you may want to have regular progress meetings with those involved. Keep the sponsor involved and interested and take the initiative in keeping them up to date with developments. Monitor and analyse the sponsorship and keep records of press and media coverage. At the end of the sponsorship,

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Introduction to sponsorship

compile a report detailing how well things have gone and share this with the sponsor.

It is easier to sell more to an existing customer or contact than it is to go out and find a new one. Sponsorship is about cultivation and relationships, and it is important to develop a lasting partnership with your contacts so they come back time and time again.

Further Information:

The Sponsors Club for Arts & Business
9th Floor, Cale Cross
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU
www.sponsorsclub.org.uk

Tel: 0191 222 0945
E-mail: sponsors@communityfoundation.org.uk

The Sponsors Club for Arts & Business runs regular free sponsorship training seminars as well as more advanced courses. They also provide advice and support on working with business.

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